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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1923

No. 937

THE COLUMBUS GAS AND FUEL COMPANY,
Appellant,

vs.

THE PUBLIC UTILITIES COMMISSION OF OHIO
AND THE CITY OF COLUMBUS, OHIO,

APPELLANT'S ANSWERS TO QUESTIONS FROM THE BENCH.

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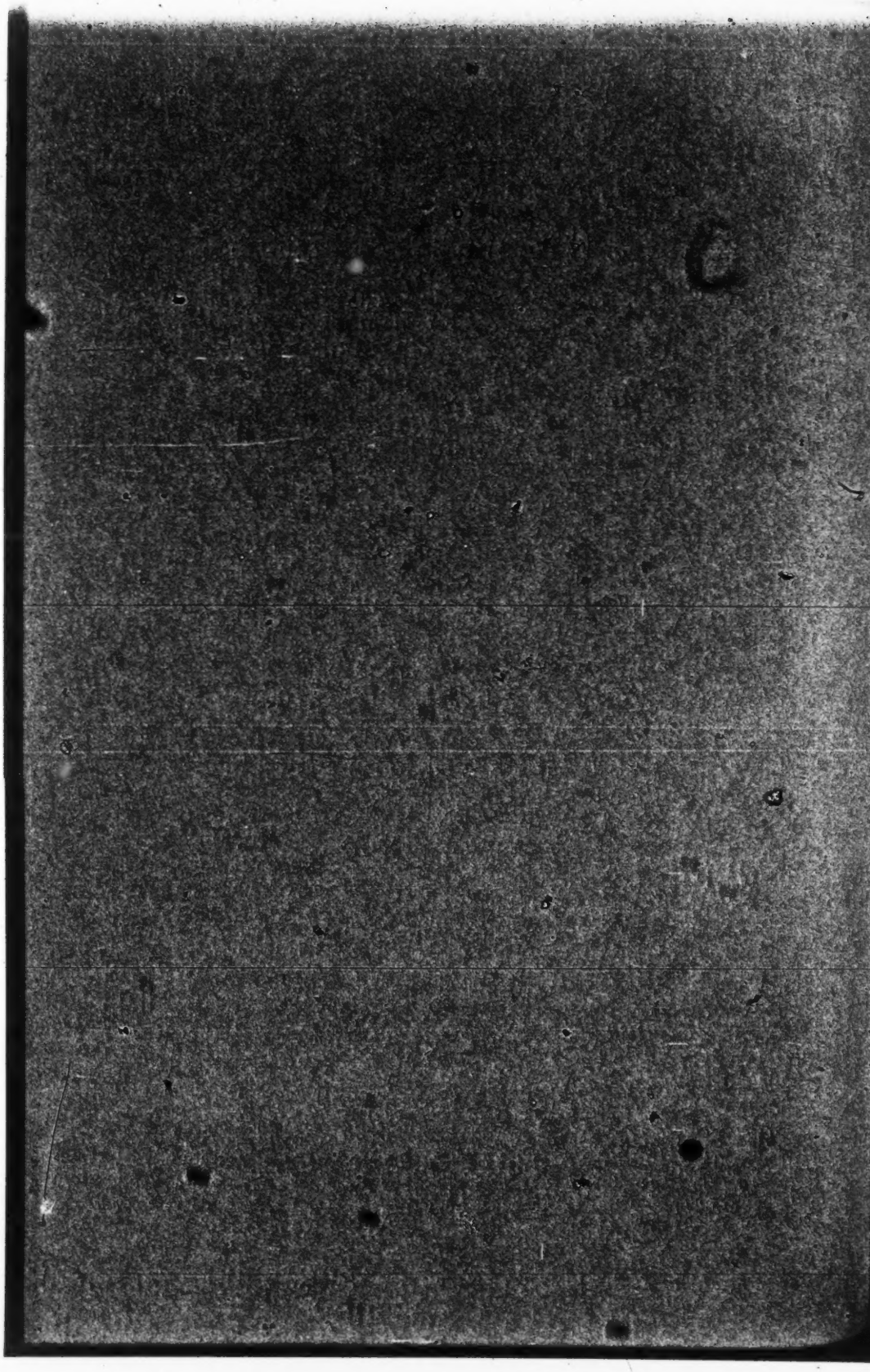

INDEX.

Subject Index.

Questions:	Page
Pages of record where amounts of depreciation allowed by Commission are shown:	
References to record	1
Amount allowed	1
Property covered	1–2
Does the leasehold capital account show the cost of the entire ten acres prospected to secure one acre of No. 1?	3
Does not depreciation cover more than merely replacements for wear and tear? Did not court so define it in the Telephone case? Why should the gas well property be treated differently from the other property in the matter of depreciation?	4
Sec. 614-49, General Code of Ohio	4
United Fuel Gas Co. v. R. R. Com., 13 Fed. (2d) 510	5
United Fuel Gas Co. v. P. S. Com., 14 Fed. (2d) 209; affirmed 278 U. S. 322	6
Yale Law Journal, January, 1934	7
Re Depletion—Amortization	7
Commission made no allowance for amortization	7
Commission's depletion allowance reversed by court	8
Basis of Commission's depletion allowance	8
Basis of Commission's value of No. 1 acreage	8
Delay rentals	9–11
Re Gas Content of No. 1 Leaseholds	11
Re Logan Gas Company	12
Purchase approved by Public Utilties Commission	12
Sec. 614-60, General Code of Ohio	12
Re Allocation	13
No findings by court as to method or results	13
Distance of actual travel not considered by city	14
Demand-mileage allocation impassable	15
Appellant did attempt to allocate on demand-mileage basis	15
Location of compressor stations	15-17
Re Gas holder	17
Re Artificial mains	18
Re Difference in valuation claimed by company and allowed by commission	19
Re City's request to supply additional computations	19-20

Table of Authorities.

City of Wheeling v. Natural Gas Co. of W. Va., P. U. R. 1933 D-1-17.	8
Columbus Gas & Fuel Co. v. City of Columbus, 17 Fed. (2d) 630	18
East Ohio Gas Co. v. City of Cleveland, Pub. Ut. Com. of Ohio No. 7130	8

	Page
United Fuel Gas Co. v. R. R. Com., 13 Fed. (2d) 510	5
United Fuel Gas Co. v. Pub. Serv. Com., 14 Fed. (2d) 209; affirmed 278 U. S. 322	6
Yale Law Journal—January, 1934	7

STATUTES.

General Code of Ohio:	
Sec. 499-14 (See appellant's opening brief in 608 p. 289)	4
614-10	4
614-49	4
614-50 (see appellant's opening brief in 608 p. 295)	4
614-60	12

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Question: Pages of Record at which amount of depreciation allowed by Commission is shown. Answer: R. 161. Amount $667,612 for Ohio Fuel. This is carried into Exhibit B (R. 179) as "Depreciation and Amortization, $4,826,566." Appellant's depreciation allowance will be found at R. 182. For similar allowances by Minority Commissioner, see R. 205, 217, 220.

The Commission did not allow any depreciation on account No. 205, Leaseholds, Account No. 211, gas well construction, or on account No. 212, gas well equipment.

The Commission did not allow any depreciation on undistributed construction expenditures (accounts 258 to 266), commonly called overheads, for either the Ohio Fuel or appellant. In the case of the Ohio Fuel these overheads amount to $7,929,820 (R. 180) and for appellant $436,405 (R. 183).

While going concern value is not subject to depreciation it is subject to amortization in a limited life enterprise.

Going concern was not allowed either for the Ohio Fuel or appellant, both of which are old established companies. That going concern was specifically disallowed and not included in overheads or elsewhere, see R. 171, where the Commission flatly said, "Going concern value will be disallowed." For further discussion of the disallowance of this item see p. 123 of our opening brief in case 608.

The following analysis of the Commission's 1½% allowance for depreciation amounting to $667,612 (R. 161) will show the accounts upon which depreciation was calculated. This tabulation will not be found in the record, but is calculated from the Commission's opinion (R. 161) and the exhibits attached to the Commission's findings (R. 180).

$667,612 is 1½% of $44,507,500.

This amount consists of (R. 180):

A/c 208	Gas well structures	$274,706
210	Other production system structures	139,400
213	Field line construction	658,304
214	Field line equipment	1,531,625
216	Drilling and cleaning equipment	381,781
217	Other production system equipment	4,791
221	Compressing station structures	907,613
222	Measuring station structures	103,703
223	Other transmission system structures	189,999
224	Compressing station equipment	5,300,007
225	Measuring station equipment	447,203
226	Transmission line equipment	33,447,060
227	Other transmission system equipment	143,627
247	General office structures	275,524
248	Other general structures	64,981
249	General office equipment	116,101
251, 256	General shop equipment; General tools and implements	83,335

253	General garage equipment		301,537
254	Gen. laboratory equipment		7,891
255	General telephone and telegraph equipment		128,312
	Total		$44,507,500
	Property not included		
204	Land	$20,514	
206	Rights of way	115,508	
211	Gas well construction	5,944,692	
212	Gas well equipment	4,069,434	
218	Land	67,818	
220	Rights of way	1,797,299	
244	Gen. office land	108,906	
245	Other general land	2,757	
258–256	General overheads	7,928,820	
	Working capital	2,690,132	
	Leaseholds	7,284,900	
			$30,030,780
			$74,538,280

As to the valuations found above compare R. 3006A.

Question: Does the capital account for leaseholds show the cost of the entire ten acres which have to be prospected to secure the one acre of No. 1?

Answer: As a matter of accounting the answer is no, but to convey to the court the information desired such answer should be explained for the reason that as leases are surrendered they are written off (R. 1046). Delay rentals paid on both the surrendered and developed leaseholds are charged to Expense Account No. 360, as provided by the Uniform Classification of Accounts for Natural Gas Utilities adopted by the various natural gas-producing States

(R. 2230, 2231). Except as above noted, at the moment when the capital account (No. 205) is examined it will show the first cost of all leaseholds, both operated and unoperated, which are still retained by the company. For an illustration of how this all works out, see p. 20 of our brief in this case.

Questions: Does not depreciation cover more than merely replacements for wear and tear? Did we not so define it in the telephone case? Why should the gas well property be treated differently from the other property in the matter of depreciation?

Section 614-49 of the General Code of Ohio provides:

> "* * * The charge for depreciation shall be such as will provide the amount required over and above the cost of maintenance to keep the property of the public utility in a state of efficiency corresponding to the progress of the art or industry. * * *"

Under Sections 499-14 and 614-10 of our General Code, the Ohio Commission in common with the Commissions of West Virginia and Pennsylvania adopted a Uniform Classification of accounts for Natural Gas Utilities, in which provision is made for accounts of "Depletion" and "Amortization."

The Commission made an allowance (R. 161) for depletion which it said it termed rather inaccurately "amortization" (R. 158). No other allowance was made for the depreciation of the gas well property.

The Commission's combined allowance of $667,612 for depreciation and $4,158,954 for depletion (R. 161) was ordered placed in a fund and invested in compliance with the statute (General Code 614-50, set out at p. 295 of our opening brief in Case 608).

A gas well differs from a pipe-line only in being in a vertical position rather than in a horizontal one. The hole in the ground is necessary to carry the pipe in either case.

Of course there is a very material difference in the period of possible use of a gas well as compared with a pipe line. The usable life of a gas well terminates long before any physical deterioration makes replacement necessary. It is this latter feature which has caused the Commission to attempt to provide for this depreciation under the term of amortization.

The "Depreciation" allowance has been intended to cover only the ordinary depreciation, a deterioration in the *physical* plant. The Commissions have made and the Courts have heretofore recognized a separate allowance for the amortization of the capital investment in the plant and gas properties at the termination of their useful life and upon the exhaustion of the gas.

The Commission did not allow any amortization on the company's property. A depletion allowance was made (R. 161) for the leaseholds and gas wells. The company claimed that as it was engaged in a limited life business, all of its property should be amortized over a period of 25 years (R. 1480) while the city's engineer disagreed with the principle of amortization (R. 1768). In this connection we call attention to the language of the Court in the case of *United Fuel Gas Co.* v. *R. R. Commission*, 13 Fed. (2d) 510. (Affirmed by this Court, 278 U. S. 300), where at p. 518 Judge Hickenlooper said:

> "Because of the exhaustible character of his product, the natural gas operator is entitled to receive through the rates charged, not only his actual expenditures of operation and depreciation charges, in the sense of such sum as will keep his plant at 100 per cent operating efficiency, but he is also entitled to such rates as will refund to him his entire capital investment within the life of the business. When the field is finally exhausted, as it must be, the reserve for depletion, or amortization reserve, should be sufficient to repay to the investor 100 per cent of the original

investment. Not only is the natural gas itself subject to exhaustion, but large quantities of casing in the wells, pipe line in the field and elsewhere, and other plant investment, are practically lost upon the exhaustion of the field. The cost of salvaging such material would in many instances be more than its value. The right to this amortization or depletion reserve, or the right of the company to earn such sum as would reimburse the investor for his original capital investment at the termination of the business, is universally recognized. This is an addition to what is ordinarily denominated a charge for depreciation or deterioration."

In the case of *United Fuel Gas Company* v. *Public Service Commission of West Virginia*, 14 Fed. (2d) 209 (affirmed 278 U. S. 322), Circuit Judge Rose said, in his opinion at page 211, after first discussing depreciation:

"The plaintiff, moreover, is faced with a problem with which most public utilities are not concerned. It does not make the gas it sells. That has existed for millenniums, and plaintiff now owns much of it, or at all events, has rights to or in it. When it is used, it is gone forever. A portion of plaintiff's annual receipts, therefore, represents the proceeds of the sale of its property. Moreover, when the plaintiff's gas supply shall become so far exhausted that it can no longer be profitably transported and sold, a large part of the value of its physical plant will vanish, for, in the location in which it now is, and for the uses to which it is now put, much of it will be worthless, no matter in how good state of physical preservation it may then be. It is possible that some of it may be put to profitable use where it is. Other portions may have an appreciable salvage value, but a good deal of it will inevitably prove a total loss. In short, in addition to setting aside something every year to make good ordinary depreciation, the plaintiff must make arrangements adequate for the amortization of a considerable part of its investment."

In reviewing the holding of the court below in the instant case the *Yale Law Journal* in its January, 1934, issue said at page 483:

> "Regulation of the rates of natural gas utilities is complicated by the consideration that since they exploit a wasting asset they do not, in theory, contemplate a perpetual life. The service life not only of the production but also of the transmission property is limited by the life of the gas fields from which the company draws its supply. Difficulties inherent in accurate prediction of this life have induced some commissions to dispose of the problem summarily by permitting such utilities to earn an unusually high rate of return. But precision demands that the income be resolved into its elements. The company is entitled to earn, in addition to a fair return and a fair allowance for depreciation and current maintenance, an amount sufficient within the probable life of the business to repay the investor the entire capital investment less salvage at the end of its present use.
>
> "In a recent case the Supreme Court of Ohio revealed an unfortunate lack of comprehension of these problems. * * *"

Questions on Depletion—Amortization.

No allowance for either depletion or amortization was made in the 48¢ rate. The Commission made an allowance for depletion of No. 1 leaseholds and gas wells (Accounts 211, 212) but no allowance of any kind for amortization of any of the other production accounts or of any of the transmission property accounts.

The Commission said (R. 158):

> "While there is no statutory provision covering the item of depletion, yet it is apparent that it should be treated substantially in the same manner as depreciation defined by the statute, and we may designate it rather inaccurately amortization."

This allowance amounted to $4,158,954 and was reversed by the court below (R. 51, 58, 72).

In answer to the question from the bench as to the amount necessary in the gate price to cover depletion of the No. 1 leaseholds and the gas wells (Accounts 211 and 212), Mr. Huffman for the city said that it would take a gate price of 35¢ to allow for the Ohio Fuel's depletion even on the city's basis, whereas the gate price allowed in the 48¢ rate is but 31.7¢. We assert that a gate price of 37.78¢ is required exclusive of corrections necessary to care for the proper cost of the West Virginia gas, delay rentals, and other claimed items of expense and return.

The Commission's basis of 7.5 years calculated upon the life of abandoned wells is the proper method of computation. It is analogous to the actuarial method used by life insurance companies.

In *City of Wheeling* v. *Natural Gas Company of West Virginia*, P. U. R. 1933 D. 1-17, the Commission found the life of abandoned wells to be "six or seven years." In *East Ohio Gas Co.* v. *City of Cleveland*, No. 7130 on the docket of The Public Utilites Commission of Ohio it was stipulated between the city and company that the average age of abandoned wells in Ohio is 4.46 years. Exhibit 3, page 25.

At R. 154 the Commission (majority) said:

> "The Commission on full consideration of all the evidence offered touching the value of the gas acreage in active operation, and *giving consideration to its enhanced value due to delay rentals which the company paid before such acreage came into the classification of 'used and useful' fixes the value at* $25 *per acre.*" (Italics ours.)

At R. 196 the Minority Commissioner said:

> "This amount of $25.00 per acre, in my opinion, would reasonably cover costs which were as far as the

record shows, *reasonably fixed by the city's witnesses and provide a sufficient amount for the capitalization of delayed rentals theretofore paid upon the other classifications of property when the same should be transferred to the used and useful classification upon the drilling of a productive well.*" (Italics ours.)

At R. 195 the Minority Commissioner calls attention to the fact that the court below in the Logan case discarded the use of cost.

The evidence as to the lease rentals paid in the past was introduced by the city and will be found at R. 1460 to 1473.

If, as suggested at p. 10 of the opinion in the Dayton case No. 609, the leasehold valuation is to be reduced to the city's estimate of the reproduction costs of No. 1 leaseholds only, then delay rentals and costs of surrendered leaseholds must be added as a part of the cost of developing the No. 1 acreage. The delay rentals amount to $1,684,913, annually as shown by the company's book account No. 360 kept in accordance with the rules provided under the Uniform Classification of Accounts for Natural Gas Utilities. This item of delay rentals amounts to 3.145 cents in the gate price ($1,684,913 divided by 53,579.575 M c. f.).

As to the reproduction method the Minority Commissioner said at R. 195, "By no stretch of the imagination can we conceive of a reproduction valuation of the gas in place."

None of the above methods give any consideration to the cost of surrendered acreage.

In prospecting for gas only one acre out of ten becomes producing territory (R. 1380). As the lease cost is charged off as the leases are surrendered these costs do not appear in the Capital Account (R. 1046).

As the lease rentals have been paid on abandoned acreage out of Expense Account No. 360, these are not found in Capital Account No. 205, Leaseholds. See illustration of the lack

of recognition of these costs at p. 20 of our brief in this case.

It will be seen therefore that unless the costs of taking up and carrying all leaseholds, including those abandoned, are allowed for, the producing company cannot be reimbursed for its actual out of pocket expense in prospecting for and developing No. 1 territory.

As shown by the undisputed evidence in the case new No. 1 territory cannot be acquired under at least $66 per acre. The valuations of No. 1 given at R. 2910 are dependent upon getting No. 2 also (R. 1283, 1245).

The witness Webber placed a valve of only $39.37 on No. 1 as opposed to his value of $63.37 for No. 2. Webber explained at R. 1277 that he considered the No. 1 65% depleted. At R. 1283 Webber testified that No. 2 was necessary in connection with No. 1. Dally valued the No. 1 at $90 per acre, but the No. 2 at $100 (R. 2910).

At R. 1245 Meals classes Nos. 1 and 2 together as what any gas operator would need.

We assume that the court in the Dayton case, p. 10, did not mean to say that amortization, to wit: the return of wasting capital, should also provide for the delay rentals which are a current operating expense, as provided for in the Uniform Classification of Accounts for Natural Gas Utilities, as adopted by Ohio, West Virginia, Pennsylvania, and other states (R. 2230, 2231), and are required to be paid, just as taxes are required to be paid, for the purpose of protecting both the capital investment and the costs of operation. While the language in the Dayton opinion may be misunderstood by lower courts in applying principles, our familiarity with the case convinces us that all the court intended to say here was that in the "amortization" allowance in that particular case, there was sufficient cushion to take care of delay rentals so as to negative confiscation.

If, however, we in this case are to look to this depletion or amortization fund for delay rentals then the sum of $1,684,913 must be added to any computation similar to the one on page 10 of the Dayton opinion. Even then there is no provision for the recovery of the original cost of acquiring abandoned leases. In accordance with the Uniform Classification of Accounts this first cost is charged to Capital Account No. 205, Leaseholds, and written off as the leases are surrendered (R. 1046). Delay rentals are required to be charged to Expense Account No. 360. No evidence of the cost of abandoning leaseholds is in the record, as the Uniform Classification of Accounts does not require such a separate account to be kept.

For an illustration of how the above works out see p. 20 of our brief in this case.

That the Commission's attitude on reserve leaseholds was limited by the so-called Logan case; see opinion of Commission R. 148 and 155. These quotations are set out at pp. 68 and 69 of our opening brief in case No. 608.

Demand mileage allocation does not apply to any item of production valuation or expense (R. 51).

Questions re Gas Content of No. 1 Leaseholds.

In addition to the testimony of the witness Seyffert (R. 1052-54), set out at p. 57 (reply brief in case 608), see testimony of the witness Webber at R. 1277, where he testified on cross-examination:

> "Q. Taking your classification of No. 1, what factors did you use in that appraisement of that acreage? A. I estimated that 65% of that gas had been depleted."

While the court below made no finding thereon, it apparently accepted the Commission's finding that the No. 1 leaseholds would last only 3 years, 2 months (R. 69), cf. dissenting court opinion (R. 74).

Question as to Logan Gas Company.

Companies were not affiliated at time of write-up of Leaseholds in 1919.

At time of sale companies were affiliated (not shown by record as far as we can find). At R. 1033 it is shown that the Logan property was taken over at the book costs to the Logan (taking the 1919 write-up as cost. No evidence of any other write-up).

At R. 2902 it is shown that the excess of the Logan Gas Co. net assets over par value of stock issued for same was $2,214,318.54, and this amount was carried to the surplus account of the Ohio Fuel. With the consent of the Public Utilities Commission, *but not otherwise,* one utility may purchase the property of another utility. (General Code 614-60 *post.*

The Logan purchase was approved by the Commission. The entire proceedings including the formal order of the Commission were introduced in this case by the city as City Exhibit 85, but this exhibit was not certified to this Court.

Section 614-60 of the General Code of Ohio provides:

> "With the consent and approval of the Commission, but not otherwise:
>
> • • • • • • •
>
> "(b) Any public utility may purchase, or lease the property, plant or business of any other such public utility.
>
> • • • • • • •
>
> "The proceedings for obtaining the consent and approval of the Commission for such authority, shall be as follows:
>
> There shall be filed with the Commission a petition, joint or otherwise, as the case may be, signed and

verified by the president and secretary of the respective companies, clearly setting forth the object and purposes desired, stating whether or not it is for the purchase, sale, lease or making of contracts or for any other purpose in this section provided and also the terms and conditions of the same. The Commission shall, upon the filing of such petition, if it deem the same necessary, fix a time and place for the hearing thereof. If after such hearing, or in case no hearing is required, the Commission is satisfied that the prayer of such petition should be granted, and the public will thereby be furnished adequate service for a reasonable and just rate, rental, toll or charge therefor, it shall make such order in the premises as it may deem proper and the circumstances require, and thereupon it shall be lawful to do the things provided for in such order.''.

Questions re Allocation.

No findings by Court as to method or result.

The Court asked whether there were any findings of the court below or data in the record from which it might be ascertained what difference in rate would result from the application of demand-mileage allocation. The answer to all of this is no.

The Court made no findings of any kind upon which a computation could be made. While the court used the term and approved demand-mileage allocation, it did not define the term.

The Court below nowhere approved a yardstick for either distance, demand or volume.

The Court did not indicate specifically whether the city's (Blundon's) allocation factor of 10.2782 or Carter's factor of 25.1395 (R. 2069) following the city's method but based upon the use of the line from the Ohio River (Ravenswood, W. Va.), to Wheeler Compressor station (owned by the Ohio Fuel), should be used.

However, the court in its syllabus 3 (which in Ohio states the law of the case) says that the transmission *system* valuation and expenses should be apportioned on the demand mileage basis (R. 51). This definitely excludes all computations which may be made from any of the city's testimony or exhibits, because as Mr. Huffman admitted in oral argument the city allocated all of the transmission system back of the "last point of major compression" on the volume or sales basis and not on any demand-mileage basis.

While we have quoted some of the prices obtained by the city's method of allocating a part only of the transmission system and expenses, these have been used for purposes of illustration only.

Distance of travel not considered by city.

That the city did not consider any of the transmission system back of the two particular compressor stations, see cross-examination of the city's engineer Blundon (R. 1910, 1911, 1913), where the following will be found:

> (R. 1910) "Q. That is what I am trying to get at, the mileage you used for Columbus from the various points in the state where gas is supplied?
>
> "A. Not from where the gas is supplied in the nature of wells, but from the points of major compression.
>
> . . . . . .
>
> (R. 1911) "Q. Did you take into consideration T and T-50 which were used in 1930 for supplying a part of Columbus?
>
> "A. Not as a length, no sir. The gas that we treated coming from the north, or in from the north, took the distance from Homer."
>
> (R. 1913) "Q. How about Columbus; was Columbus considered a user in any of those demands?
>
> "A. The distance that the gas traveled to Columbus was not considered from any of those stations except Treat and Wheeler."

Demand-mileage allocation impossible.

The Commission unanimously found that *any* demand mileage allocation was impossible of application to the Ohio Fuel property (R. 166, 195).

That Mr. Huffman was mistaken when he said in the course of his answer to a question from the bench that appellant made no attempt to allocate according to a demand-mileage basis, is shown at R. 1986, where it is shown that appellant sent for Mr. E. L. Carter of Indianapolis (whose testimony as an engineer was examined by this Court in *McCardle* v. *Indianapolis Water Co.*, 272 U. S. 400).

Mr. Carter, whose qualifications are set out at R. 361 is perhaps the leading engineer on allocation in the country. It was to Carter that the city's witness, Blundon, appealed for data preliminary to his (Blundon's) attempted allocation in the instant case (R. 2040 et seq.).

At R. 2011 Carter testified:

> "I was instructed to make a demand mileage allocation of The Ohio Fuel Gas Company, if at all possible."
>
> "Q. (By Commissioner Geiger): And you reported back it couldn't be done? A. I did."

Both the majority and minority Commission found the demand mileage allocation *impossible* of application to the Ohio Fuel property (R. 166, 195).

Location of Compressor Stations.

The Court asked for the location of the compressor stations. The location and horse power of these 38 stations are set out at p. 194 of our opening brief in Case 608, and may also be found in Original Company Exhibit 45 (p. 10, 11).

On the map at R. 3058 B these stations are noted by an oblong box with the name. This map was introduced in

connection with the testimony showing the amount of West Virginia gas mixed with Ohio gas and data other than location must be read with that in mind (R. 1771 to 1774).

The compressor station locations are given in narrative form at R. 1770, 1787 to 1794. At R. 148 the Commission comments upon its examination of Compressor Stations. This comment is set out at p. 30 of our brief in this case.

Specifically answering the Court's question, the 38 compressor stations are located as follows:

North of Columbus

Station	*Township*	*County*	*H. P.*
Ashland	Montgomery	Ashland	3,300
Avon	Sheffield	Lorain	500
Brown	Brown	Knox	1,550
Cambridge	Knox	Guernsey	880
Miley	Ripley	Holmes	970
North Eaton	Columbia	Lorain	640
Pavonia	Wheeler	Richland	7,400
Perrysville	Green	Ashland	620
Tonkin	Allen	Hancock	2,700
Treat	Burlington	Licking	5,750
West Salem	Congress	Wayne	970
Wheeling	Wheeling	Guernsey	90
York	York	Medina	2,425
Buckeye	Clay	Knox	300
			27,905

South of Columbus

Barlow	Barlow	Washington	640
Benton	Benton	Hocking	650
Creola	Jackson	Vinton	840
Crooksville	Harrison	Vinton	675
Elk	Stock	Noble	645
Gore	Rome	Athens	795
Glenford	Hopewell	Perry	300
Gore	Falls Gore	Hocking	320
Grimes	Marion	Morgan	1,455
Hagan	Elk	Noble	810
Heslop	Whipple	Washington	195
Laurel	Laurel	Hocking	100
Lick	Franklin	Jackson	2,455
Malta	Malta	Morgan	260
Meigs	Bedford	Meigs	895
Richland	Richland	Vinton	3,000
Sonora	Perry	Muskingum	90
Spencer	Spencer	Guernsey	75
Sugar Grove	Berne	Fairfield	7,400

Station	*Township*	*County*	*H. P.*
Sutton	Sutton	Meigs	820
Union Furnace	Starr	Hocking	80
Union	Union	Licking	120
Westland	Westland	Guernsey	500
Wheeler	Berne	Fairfield	13,080
			36,230

43½% of H. P. north of Columbus.
56½% of H. P. south of Columbus.

Questions re Gas Holder.

The City admitted the Company's valuation of the gas holder (R. 2529).

City Ex. 60 (3035).

	Reproduction Cost New	Present Value
Holder Sta. land	$18,700.00	$18,700.00
Structures	3,207.00	2,908.00
Gas holder	155,000.00	146,163.00
Equipment	31,828.00	
Total		$167,771.00
Overheads at 14%		20,971.00
		$188,742.00

Jas. P. Strickler, superintendent of appellant from 1905 to 1930 (R. 333), testified (R. 2513):

"Q. Are you familiar with this holder that we have been talking about this morning here? A. I am.

"Q. Do you know whether it has been used? A. I do.

"Q. What is the fact as to its use. A. The holder was tied into The Columbus Gas & Fuel's natural gas system in the year 1912. I believe it was or thereabouts. Let me see, 1913.

" • • • A. And used as a relief measure during peak loads ever since that time.

"R. 2515. Now I wish you would explain to the Commission the function of the holder? Is it a stabi-

lizer of pressure? If so, why is such a stabilizer of pressure required? A. I would not say it was used as a stabilizer. It is used more to build up the low pressure system during peak loads caused by the demand on the system by the consumption thereon, the gas from the holder being driven into the mains by a blower, centrifugal force, operated by an electric motor. • • •

"Q. What would be the effect upon the service to consumers if the company did not have • • • and use that holder? A. We would have a great many complaints in what we call the downtown district • • •

"Q. From your long experience with the company what do you say as to whether or not that holder is a usual mechanism for the purpose of distributing gas in Columbus? A. In my estimation it is very valuable.

"(R. 2516) Q. What is the fact as to whether if the company did not have that holder, it would have to have larger mains? A. I think that is true." More to same effect on pages 2516 et seq.

In the Federal Court case, the transcript of which was introduced herein as Exhibits 65, 66, 67, but neither printed nor certified, the valuation of the holder was considered as a part of the rate base. See *Columbus Gas & Fuel Co.* v. *The City of Columbus*, 17 Fed. (2nd) 630. The valuation found by the Federal Court is tabulated at p. 638 of 17 Fed. (2nd) and there is also a comparative tabulation at R. 3006 A.

Question re Artificial Mains.

The artificial mains were not claimed as a part of the rate base in this case.

The reference to artificial mains (Brief p. 10), was in connection with appellant's depreciation reserve. This reserve covers the entire history of the company, and when these mains are written off at the close of the Federal Court case this charge will wipe out appellant's depreciation reserve. The entire Federal Court record was intro-

duced as company Exhibits 65, 66 and 67, but were not certified to this Court. However all of this data may be found in *Columbus Gas & Fuel Co.* v. *City of Columbus*, 17 Fed. (2d) 630, 636.

Question re Difference in Valuation Claimed by Appellant for Its Distribution Plant and Valuation Allowed by Commission.

The court asked for reference to record. At R. 2874, appellant's claimed valuation is shown to be $5,284,529. The Commission allowed $4,027,647 (R. 182, 220) cf. R. 3006 A.

Re City's Request to Supply Additional Calculations.

Counsel for the city asked to include in their memorandum other items such as taxes, which they said would further reduce the rate. Instead of reducing, the other items not allowed by either the Commission or the court will greatly increase the rates. The following table shows the results in cents per M. c. f. on both the gate price and retail rate:

	Interest Gate price	Retail rate
Excise taxes of the Ohio Fuel Gas Co. at rate required by law	3170¢	3328¢
Delay Rentals	3 1447¢	3 3019¢
Going concern value at 10% of the lowest valuation of The Ohio Fuel Gas Company's production and transmission property	8592¢	9022¢
Amortization of the production and transmission facilities of The Ohio Fuel Gas Co. @ 4%	3 8665¢	4 0598¢
Additional depreciation at rate conceded by the city	2 0207¢	2 1217¢
Excise taxes of the Columbus Gas & Fuel Co. at rate required by law		4895¢

	Increase Gate price	Retail rate
Load building expense		.5178¢
Collar leak clamp expense		.6698¢
Depreciation at rate conceded by the City		.3614¢
Going concern value at 10% of the Commission's valuation of the Columbus Gas & Fuel Company's distribution property		.4501¢
Gas holder		.2163¢
	10 .2081¢	13 .4233¢

See also pp. 79 and 80 of our brief in this case and pp. 263 *et seq.* of our opening brief in Case 608, for further illustrations.

As demand mileage allocation pertains only to the Transmission system, such items as depletion of production property, delay rentals, valuations of leaseholds and all other items of production property and expense are computed on the sales or M c. f. basis (R. 51).

Respectfully submitted,

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Washington, D. C., May 3, 1934.